

Message Text

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ACTION EA-12

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SUBJECT: REACTION TO PRODUCER'S MEETING IN JAKARTA

1. GIVEN BELOW IS THE FULL TEXT OF AN EDITORIAL APPEARING THE APRIL 7 EDITION OF THE "BUSINESS TIMES" WHICH PROBABLY IS AN ACCURATE DESCRIPTION OF THE GOM'S REACTION TO THE RECENT MEETINGS IN JAKARTA BY THE TIN PRODUCERS. THE EDITORIAL IS NOTABLE BOTH BECAUSE OF ITS MODERATE TONE, WHICH REFLECTS CURRENT GOM THINKING ON TIN, AND ITS CALL TO RESIST EXTREME MEASURES, SUCH AS BOLIVIA'S CALL FOR A PRODUCER'S CARTEL. THE NEWEST ELEMENT TO EMERGE FROM THESE MEETINGS IS THE REPORTED DECISION BY THE PRODUCERS' TO REFUSE TO ACCEPT THE U.S. TIN CONTRIBUTION TO THE ITC UNTIL THE USG HAS DEVELOPED A COHERENT POLICY REGARDING RELEASES FROM THE GSA STOCKPILE.

2. TEXT OF EDITORIAL FOLLOWS: "JAKARTA SETS RIGHT COURSE-CONSULTATION RATHER THAN CONFRONTATION: THIS IS THE SENSIBLE
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CHOICE TIN PRODUCERS MADE YESTERDAY VIS-A-VIS THE UNITED STATES AMIDST CONFLICTING AND CONFUSING REPORTS ABOUT ITS PLANS FOR RELEASES FROM ITS STOCKPILE. THE U.S. IS CLEARLY HOLDING AN EXCESSIVE QUANTITY OF TIN IN ITS STRATEGIC RESERVE, A GOOD BIT MORE THAN THE TOTAL WORLD PRODUCTION IN 1977. THE IDEA OF GETTING RID OF SOME OF THE EXCESS TO BUY MORE COPPER WAS PRESSED LAST YEAR, PRIMARILY TO HELP OUT THE DOMESTIC COPPER INDUSTRY.

TIN PRODUCERS, NOTABLY MALAYSIA, WELCOMED THIS MOVE BECAUSE THE WORLDWIDE SHORTAGE OF TIN SUPPLIES WAS PUSHING PRICES TO VERY HIGH LEVELS. IMPLICIT IN THIS WELCOME WAS THE ASSUMPTION THAT THE ACTUAL RELEASES FROM THE STOCKPILE WOULD BE COORDINATED WITH TIN PRODUCERS TO PREVENT A SUDDEN CRASH IN THE MARKET AND TO AVOID ANY DAMAGE TO THE CLIMATE FOR NEW INVESTMENT IN THAT TIN BADLY NEEDS. AND EMISSARIES FROM TIN-PRODUCING COUNTRIES, AMONG THEM DATUK SERI DR. MAHATHIR MOHAMAD, FOUND IT REASSURING THAT THE U.S. ADMINISTRATION FULLY REALIZED THAT THE PRODUCERS' PLEA WAS WHOLLY IN CONSONANCE WITH THE CONSUMERS' LONG-TERM INTEREST.

3. "THERE IS NOTHING TO SHOW THAT THE ADMINISTRATION HAS CHANGED ITS MIND ON THIS MATTER. IT MAKES SENSE, THEREFORE, TO TALK THINGS OVER WITH IT INSTEAD OF THINKING OF EXTREME MEASURES LIKE A PRODUCERS' CARTEL WHICH BOLIVIA IS REPORTED TO BE CANVASSING. THE PROPOSAL AGREED UPON AT THE JAKARTA MEETING YESTERDAY TO SEND A DELEGATION TO THE UNITED STATES TO MEET OFFICIALS AND CONGRESSMEN IS THE RIGHT ONE UNDER THE CIRCUMSTANCES. IT WILL CLEAR THE AIR IF THE DISCUSSIONS BRING ABOUT A BETTER DEFINITION OF WHAT THE U.S. HAS IN MIND.

4. "THE MALAYSIAN TIN BUREAU REPORTED IN JANUARY THAT AT LEAST SEVEN DRAFT BILLS RELATED ONE WAY OR ANOTHER TO STOCKPILE RELEASES WERE BEFORE CONGRESSIONAL COMMITTEES, ALL PROMPTED BY THE REVISION IN STOCKPILE OBJECTIVES ACCEPTED UNDER THE FORD LIMITED OFFICIAL USE

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ADMINISTRATION IN 1976. TWO OF THEM HAD THE PRESENT REGIME'S BACKING, BOTH SEEKING TO AUTHORIZE A U.S. CONTRIBUTION OF 5,000 TONS TO THE INTERNATIONAL BUFFER STOCK. AS IT HAPPENS, A SUB-COMMITTEE DEALING WITH THE PROPOSAL TAGGED ON TO IT A RECOMMENDATION THAT ANOTHER 30,000 TONS SHOULD BE RELEASED FOR SALE, BUT THIS HAS NO BINDING EFFECT SINCE DISPOSALS COME UNDER THE JURISDICTION OF ANOTHER COMMITTEE.

5. "THE BUFFER STOCK CONTRIBUTION HAS NOW BEEN UNANIMOUSLY APPROVED AT THE COMMITTEE LEVEL WHICH MEANS THAT THE ADMINISTRATION WOULD SOON HAVE THE AUTHORITY TO FULFILL THE PLEDGE IT MADE WHEN THE U.S. JOINED THE INTERNATIONAL TIN COUNCIL LAST YEAR. BUT PRODUCERS WERE QUITE RIGHT TO DECIDE AT JAKARTA AGAINST ACCEPTING THE U.S. QUOTA UNTIL THE ISSUE OF STOCKPILE RELEASES IS SORTED OUT. AFTER ALL, THE OBJECTIVE OF THE BUFFER STOCK IS TO STABILIZE PRICES IN THE INTERESTS OF BOTH PRODUCERS AND CONSUMERS, WHILE UNCOORDINATED STOCKPILE RELEASES WOULD HAVE JUST THE OPPOSITE EFFECT. IT IS, THEREFORE, APPROPRIATE TO ASK WASHINGTON TO ARRIVE AT A COHERENT POLICY SO THAT OTHER MEMBERS OF THE TIN COUNCIL KNOW WHERE THEY STAND IN THEIR RELATIONS WITH THE WORLD'S LARGEST CONSUMER. THE NEED FOR COHERENCE IS ALL THE MORE URGENT BECAUSE THE ITC IS MEETING

NEXT WEEK TO DISCUSS ONCE AGAIN THE PRODUCERS' PLEA FOR A REVISION
FO THE RANGE OF BUFFER STOCK PRICES."
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